

Message Text

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TREASURY-R. LARSEN

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FM SECSTATE WASHDC

TO AMEMBASSY BERN IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY MADRID IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L STATE 248900

E.O. 11652: GDS

TAGS: CI, EFIN

SUBJ: 1972 DEBT RESCHEDULING AGREEMENT

1. ON DECEMBER 19, REPRESENTATIVES OF USG AND GOC

INITIALLED MEMORANDUM OF UNDERSTANDING FOR RESCHEDULING

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CHILE'S EXTERNAL DEBT PAYMENTS FOR PERIOD OF NOVEMBER,

1971 THROUGH DECEMBER, 1972 IN ACCORDANCE WITH APR 1972
PARIS CLUB AGREEMENT. TEXT OF NEWS RELEASE, TENTATIVELY
SCHEDULED FOR DELIVERY TO PRESS ON FRIDAY, DECEMBER 21, IS
AS FOLLOWS:

" THE DEPARTMENTS OF STATE AND TREASURY ANNOUNCED TODAY
THAT REPRESENTATIVES OF THE UNITED STATES GOVERNMENT AND
THE GOVERNMENT OF CHILE HAVE REACHED AN UNDERSTANDING AD
REFERENDUM ON REPAYMENT OF DEBTS TO THE UNITED STATES THAT
WERE DUE FROM NOVEMBER 1971 THROUGH DECEMBER 1972. THIS
UNDERSTANDING IMPLEMENTS A MULTILATERAL DEBT RESCHEDULING
ARRANGEMENT REACHED IN PARIS ON APRIL 19, 1972 BETWEEN THE
GOC AND 12 CREDITOR GOVERNMENTS.

UNDER THE UNDERSTANDING, A TOTAL OF OVER DOLS. 60
MILLION WILL BE PAID OVER THE NEXT FOUR YEARS WITH
APPROXIMATELY DOLS. 16 MILLION OF THIS AMOUNT PAID ON
DECEMBER 28, 1973. AN APPROXIMATE ADDITIONAL DOLS. 64
MILLION WILL BE PAID IN SIX YEARS BEGINNING ON JANUARY 1,
1975, WITH 6 PERCENT ANNUAL INTEREST.

CHILE HAS BEEN UNABLE TO MEET PAYMENTS DUE ON DEBTS
TO THE UNITED STATES AND CERTAIN OF ITS AGENCIES DURING
1973. THESE UNPAID OBLIGATIONS, AS WELL AS DEBTS DUE
DURING 1974, WILL BE THE SUBJECT OF A MEETING OF
CREDITOR NATIONS IN PARIS SCHEDULED FOR FEBRUARY 1974.

THE CHILEAN GOVERNMENT REITERATED ITS INTENTION TO
FULFILL ALL OF THE PROVISIONS OF THE APRIL 1972 MULTI-
LATERAL DEBT RESCHEDULING AGREEMENT AND, IN PARTICULAR,
THEIR INTENTION TO CARRY ON DIRECT NEGOTIATIONS AIMED AT
PROVIDING JUST COMPENSATION.

IN THE DISCUSSIONS LEADING UP TO THE UNDERSTANDING,
THE CHILEAN REPRESENTATIVES DISCUSSED THE ECONOMIC
SITUATION IN CHILE AND THE PROGRESS THEY HAVE MADE ON A
STANDBY ARRANGEMENT WITH THE INTERNATIONAL MONETARY FUND
TO HELP SUPPORT A CHILEAN ECONOMIC STABILIZATION PROGRAM."

2. UNDER THE MEMORANDUM, 70 PERCENT OF DEBT INCLUDED
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UNDER PARIS CLUB, AMOUNTING TO APPROXIMATELY DOLS. 64
MILLION, WILL BE RESCHEDULED ON PARIS CLUB TERMS, WITH
PAYMENT BEGINNING ON JANUARY 1, 1975, GOING THROUGH 1981
AT SIX PERCENT INTEREST. REMAINING 30 PERCENT OF DEBT
PLUS CREDITS EXCLUDED FROM PARIS CLUB TERMS AMOUNTS TO
APPROXIMATELY DOLS. 64 MILLION. UNDER MEMORANDUM OF
UNDERSTANDING, IMMEDIATE CASH PAYMENT WILL BE MADE OF
DOLS. 16 MILLION OF WHICH DOLS. 12 MILLION WILL GO TO EXIM.

AN ADDITIONAL TOTAL OF DOLS. 16 MILLION, PLUS INTEREST, SIMILARLY ALLOCATED AMONG THE AGENCIES, WILL BE PAID QUARTERLY BEGINNING MARCH, 1974, FOR ONE YEAR, TO BE FOLLOWED BY A TOTAL OF APPROXIMATELY DOLS. 32 MILLION PLUS INTEREST PAID OUT QUARTERLY OVER A THREE YEAR PERIOD BEGINNING MARCH, 1975 AND ENDING DECEMBER, 1977.

3. DETAILS COVERING SEPARATE BILATERAL AGREEMENTS WITH USG AGENCIES WIL BE WORKED OUT OVER NEXT FEW WEEKS. THIS WOULD PERMIT SIGNING OF FORMAL OVERALL INTER-GOVERNMENTAL AGREEMENT AT SAME TIME AS SEPARATE BILATERAL AGENCY AGREEMENTS ARE SIGNED.

4. ADDRESSEE POSTS ARE REQUESTED TO INFORM APPROPRIATE HOST GOVERNMENT DEPARTMENT OF ABOVE. DEPARTMENT WOULD APPRECIATE KNOWING REACTIONS OF GOVERNMENTS TO AGREEMENT, AS WELL AS ANY OTHER COMMENTS NEEDED. RUSH

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